



**PROPOSED ANNUAL BUDGET PRESENTATION – (PART II) May 20, 2014**  
**Fiscal Year July 1, 2014 – June 30, 2015**

**City of Long Beach • New York**  
***“Rebuilding for the Long Term”***

**City Council** » Scott J. Mandel, President • Fran Adelson, Vice President • Anthony Eramo • Eileen J. Goggin • Len Torres

**City Manager** Jack Schnirman » **City Comptroller** Kristie Hansen-Hightower

# Budget Agenda

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# Return to Fiscal Responsibility

## WHERE WE WERE

### 2 ½ YEARS AGO

- \$18 Million Dollar Multi-Year Cumulative Deficit Was Created From Years And Years of Financial Mismanagement.
- Revenues Were Continually Overestimated.
- Expenditures Were Underestimated Year After Year.
- In December 2011, Previous Administration Had To Borrow To Make Payroll.

### Fiscal Accountability

### Personnel Savings and Audit Comments

### Moody's Changes Outlook on Long Beach

## WHERE WE ARE NOW

- ✓ For the past two years, the City Council has passed structurally sound balanced budgets.
- ✓ Monthly detailed departmental budget/variance reports.
- ✓ Tracking of all State & Federal grants; policies and procedures to account for the City's fixed assets.
- ✓ Reduced headcount by 12% to the lowest levels in over a decade.
- ✓ Early retirement incentives were offered. Management employees and Council members continue paying 10% of their healthcare premiums.
- ✓ Addressing internal and NYS Comptroller audit findings; Improved oversight.
- ✓ In August 2013 Moody's cites the current administration "improved financial controls and policies leading to balanced budgets" as reasons for the positive report and **outlook shift from "NEGATIVE" to "STABLE".**



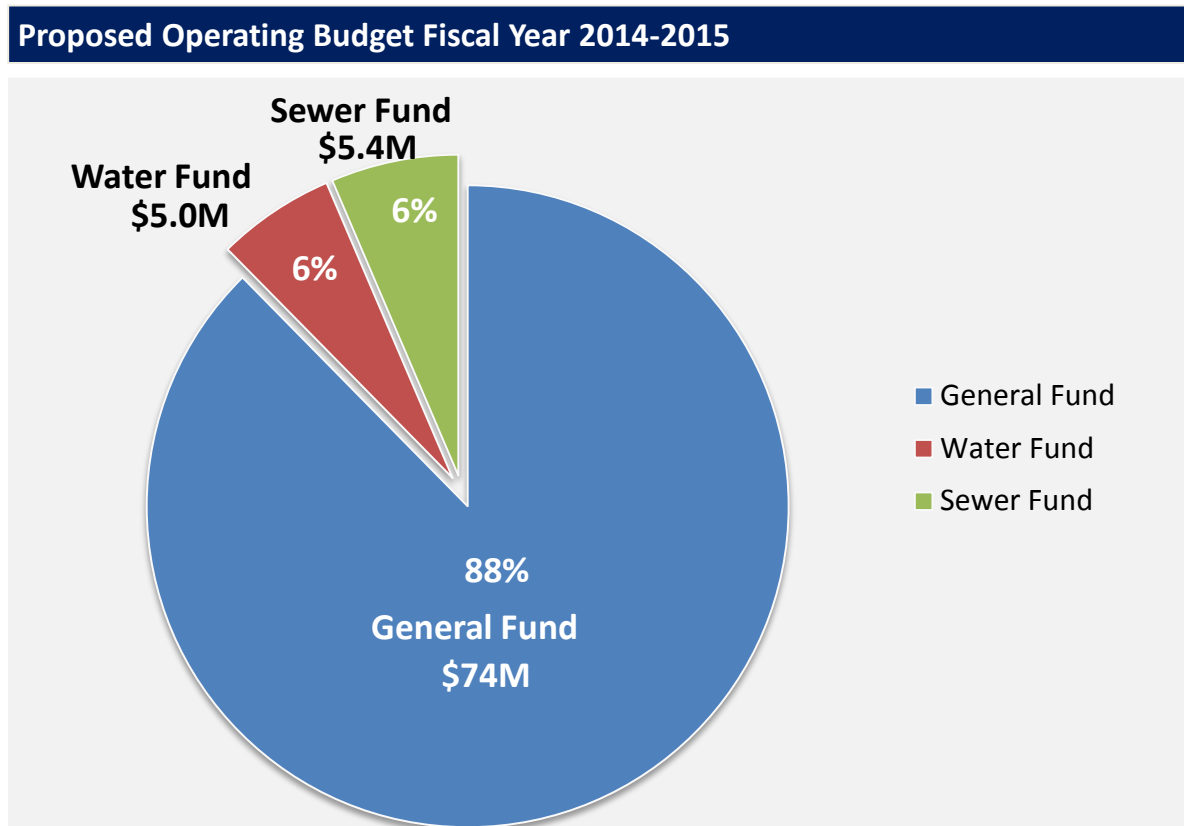
# **Fiscal Year 2014-2015 Budget Overview**



# Proposed Operating Budget Overview

*The proposed operating budget for fiscal year 2014-2015 totals **\$84,609,564.***

*The proposed fiscal year 2014-2015 Debt Service<sup>1</sup> and Risk Retention<sup>2</sup> funds total **\$11,294,864.***



<sup>1</sup>**Debt Service Fund** – Appropriations to meet the City's annual interest and principal payments on debt and capital leases.

<sup>2</sup> **Risk Retention Fund** (internal service fund) – Appropriations for general liability and Workers' Compensation insurance and judgments & claims.



# How Your Tax Dollars Are Spent - General Fund

Total Proposed Expenditures - \$74,140,053

**25.67%**

**Employee Benefits**



**23.21%**

**Public Safety**



**16.46%**

**General Gov't Support**



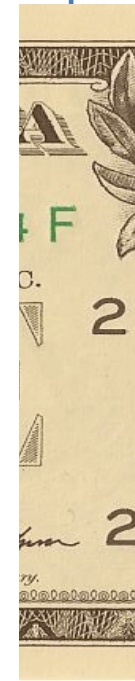
**9.35%**

**Recreation**



**6.84%**

**Other \***



**10.37%**

**Home & Community Svcs**



**8.10%**

**Debt Service**



\*Other –Risk Retention: 3.48%; Transportation: 2.6%;  
Economic Opportunity & Education: 0.52% and Interfund Transfer - Sewer: 0.24%

# Challenges Faced ... Actions Taken

## Challenges Faced

*Like many local governments throughout the region, the City is faced with funding various increased fixed costs:*

- 1 **Police Binding Arbitration Award:** Police salary and related benefits **increased \$3.1 million.**
- 2 **CSEA (City's largest union):** Expiring negotiated concessions and contractual salaries contribute a **\$2.5 million increase.**
- 3 **HEALTH INSURANCE:** Health insurance premiums & pension costs **increased 9.56% or \$935,000.**
- 4 **GENERAL AND FLOOD INSURANCE:** General and flood insurance **increased 14.34% or \$455,000.**

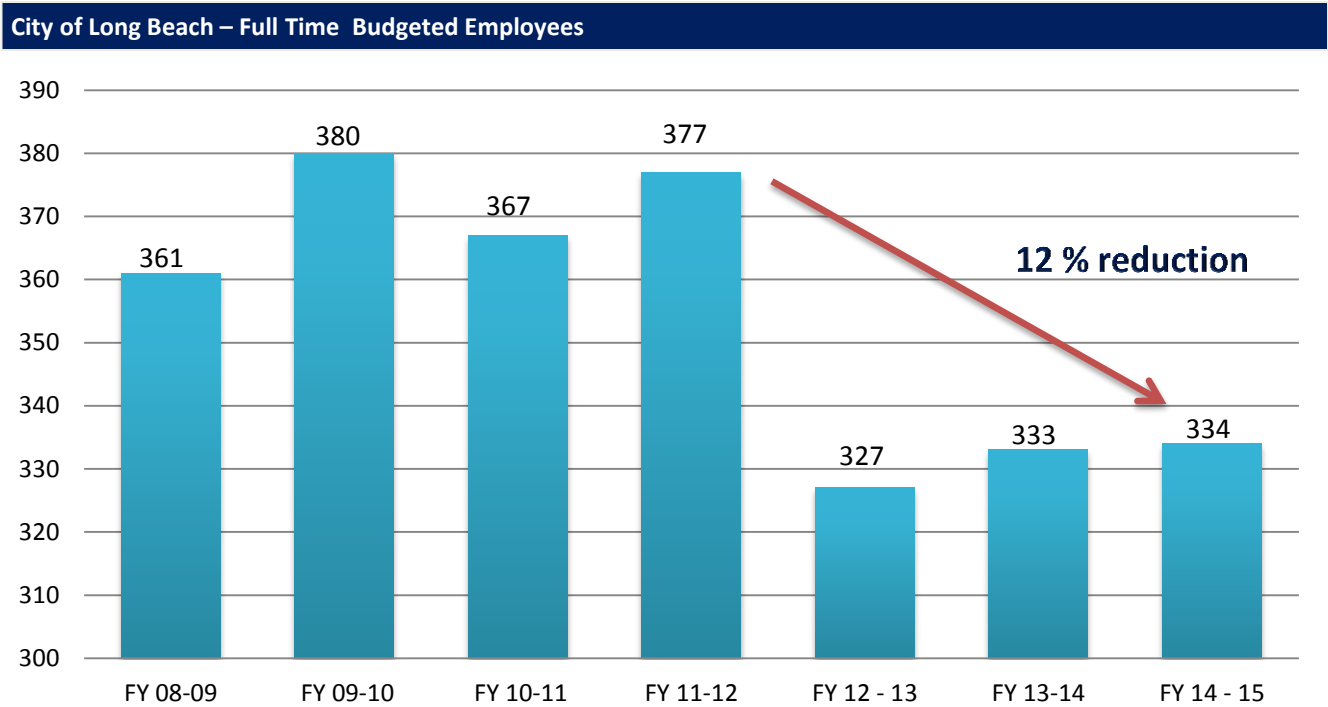
## ACTIONS TAKEN

***The City's administration took the following actions to address these rising fixed costs:***

- ✓ Identified Additional Revenue Streams
- ✓ Reduced Departmental Spending
- ✓ Maintained the "Right-Sized" Workforce - Personnel costs have decreased to 60% from an unsustainable 83% of the overall budget.

# Maintains the “Right-Sized” Workforce

Over the past three years, the City has reduced its workforce by 12%, to the lowest levels in decades.



\* **Comments:** Fiscal year 2014 -2015 full time budgeted employees do not include NY Rising grant funded positions.





# UNION CONCESSIONS

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Due to the inherited fiscal deficit of 2012, the City and the CSEA, the City's largest union, negotiated and agreed upon concessions. One of those concessions was a “lag payroll\*.” This sacrifice, on behalf of the employees, aided the City’s recovery during that difficult time by saving the City with \$2 million over two years.

The union met its obligations to the City and, therefore, according to the terms and conditions of the concession agreement, ***salaries are to be restored as the lag payroll is lifted.*** *The City has reached a new agreement with the CSEA, that yields approximately savings of \$200,000 and also included a reduction in contractual raises from 4% to 2%.*

Additionally, the City Council, pursuant to Resolution No. 65/12, unanimously agreed to reduce their compensation by 10% until the fiscal crisis was declared over. The declaration was made in September 2013, and, accordingly, the City Council salaries were restored.

City Council members and management employees continue paying a 10% share of their healthcare premiums.

**Notes: \*Lag Payroll:** This means that for a period of two years CSEA employees forfeited two weeks of their salaries per year.

## **HIGHLIGHTS OF THE PROPOSED BUDGET**



# Highlights of the Proposed Budget

## Rising to the Challenge: *Fiscal Year 2014 – 2015 Budget At a Glance...*

1.

### Reduces Tax Burden

- ✓ City property *taxes will be reduced* by approximately 1.2%.
- ✓ Inherited deficit surcharge will be retired a year early.
- ✓ The tax levy remains within Governor Cuomo's Tax Cap.

2.

### Reduces Departmental Spending

- ✓ Departmental spending has been reduced from the prior year.
- ✓ Our budget team scoured every line of the budget. There were 546 discretionary lines. We reduced 129 of them for total cuts of over *\$1.5 million* from requested amounts.

3.

### Maintains "Right-Sized" Workforce

- ✓ The City has reduced its workforce by 12%, to the lowest levels in decades.
- ✓ Personnel costs as a percentage of the overall budget have decreased to approximately 60% from an unsustainable 83%.

4.

### Increases and Diversifies Revenues

- ✓ Grant revenues for the fiscal year 2014-2015 proposed budget totals \$2.1M compared to approximately \$760,000 in fiscal year 2013-2014.
- ✓ Relationship between the various fees and the cost of providing services are aligned.



### **Further** Reduction in Tax Burden

The budget amendment package for fiscal year 2015 includes an **additional City property tax decrease** from 0.95% to 1.2%. This provides homeowners with an additional annual average savings of \$7.21 and **total annual per household savings of \$34.48**.

#### Average City Property Tax Savings

(Medium assessment of \$18,870)

	FY 2015 Original Proposed	FY 2015 Budget Amendment
General Fund Tax Line	\$137.69 - 4.74%	\$130.48 – 4.49%
Average Surcharge Line	(\$164.96) - (5.69%)	(\$164.96) - (5.69%)
<b>Total Tax Decrease</b>	<b>(\$27.27) – (0.95%)</b>	<b>(\$34.48) – (1.2%)</b>

Yields a per household savings of

**\$34.48 or 1.2%.**

# Proposed General Fund Budget - Revenue Sources

	Actual 6/30/2013	% of total	Revised Budget 6/30/2014	% of total	Recommended 6/30/2015	% of total
REAL PROPERTY TAXES	\$33,164,391	48.59%	\$33,550,405	51.29%	\$33,022,942	44.54%
DEPARTMENTAL INCOME	\$15,297,787	22.41%	\$16,937,286	25.89%	\$19,259,540	25.98%
STATE/FEDERAL AID	\$6,163,439	9.03%	\$4,912,670	7.51%	\$6,435,696	8.68%
FEMA AID	\$0	0%	\$1,937,232	2.96%	\$0	0%
NON PROPERTY TAXES	\$4,437,062	6.50%	\$4,220,000	6.45%	\$4,735,000	6.39%
LICENSES & PERMITS	\$1,155,572	1.69%	\$1,097,025	1.68%	\$4,256,100	5.74%
LONG TERM DEBT PROCEEDS	\$0	0.00%	\$0	0%	\$1,800,000	2.43%
APPROPRIATED FUND BALANCE	\$5,021,200	7.36%	\$0	0%	\$1,500,000	2.02%
FINES & SALE OF PROPERTY	\$1,291,671	1.89%	\$1,255,600	1.92%	\$1,218,500	1.64%
INTERFUND TRANSFERS	\$91,114	0.13%	\$0	0%	\$602,595	0.81%
USE OF MONEY & PROPERTY	\$473,081	0.69%	\$511,074	0.78%	\$508,248	0.69%
INTERGOVERNMENTAL CHARGES	\$754,011	1.10%	\$695,318	1.06%	\$395,260	0.53%
MISCELLANEOUS	\$402,519	0.59%	\$297,500	0.45%	\$406,172	0.55%
<b>Total</b>	<b>\$68,251,847</b>	<b>100%</b>	<b>\$65,414,110</b>	<b>100%</b>	<b>\$74,140,053</b>	<b>100%</b>

*The fiscal year 2014–2015 proposed budget represents this administration's  
3<sup>RD</sup> consecutive structurally and fiscally sound budget*



# A Closer Look – Residential Tax Burden

*For every tax dollar collected...*

*(Median assessment 2013–2014 tax year)*



**School &  
County Taxes**



65% of total taxes

**City Taxes**



35% of total taxes

# Budget *Amendment Package* – General Fund



<b>Additional Adjustments: Proposed Budget Amendments</b>	
<b>General Fund Revenues:</b>	
• Further Reduction in Property Taxes	(\$81,032)
• Increase in Grant Revenues (primarily new department grant funded)	\$226,172
• Reduction in Garbage Refuse Fees (reimbursement to displaced residents)	(\$30,000)
• Increase in Departmental User Fees	\$40,535
<b>Total Increase to Revenues:</b>	<b>\$155,675</b>
<b>General Fund Expenses:</b>	
• Interfund Transfer – Debt Service (early repayment of debt)	(\$224,331)
• Contracted Services / Supplies	\$29,000
• Personnel Costs and Related Benefits (grant funded & contractual increases)	\$351,006
<b>Total Increase to Expenditures:</b>	<b>\$155,675</b>

# Budget *Amendment Package* – Sewer/Water Funds

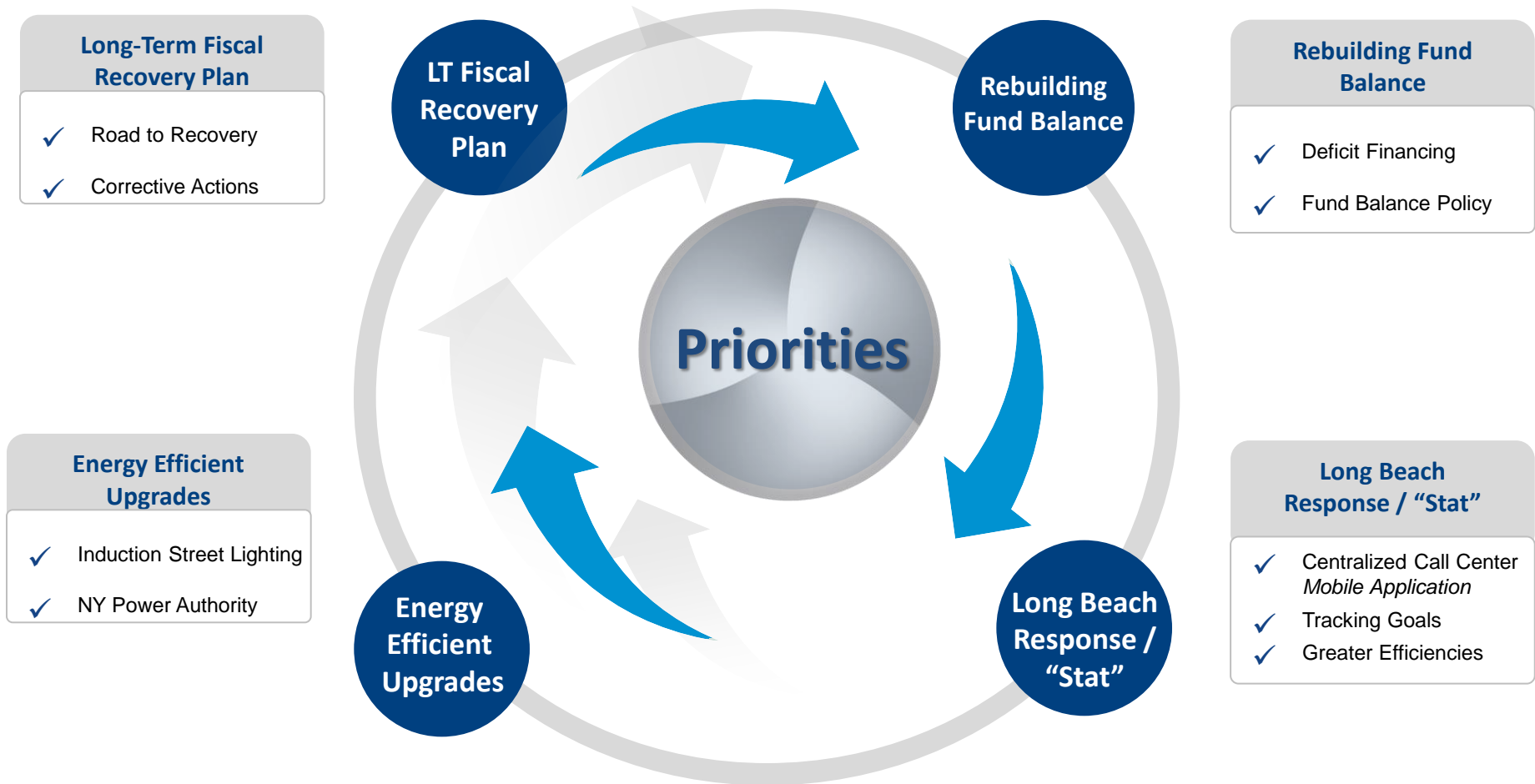


<b>Additional Adjustments: Proposed Budget Amendments</b>	
<b>Water Fund and Sewer Fund Revenues (Combined):</b>	
• Decrease in User Fees	(\$28,000)
<b>Total Decrease to Revenues:</b>	<b>(\$28,000)</b>
<b>Water Fund and Sewer Fund Expenditure (Combined):</b>	
• Interfund– Debt Service (early repayment of debt)	(\$75,963)
• Personnel Costs and Related Benefits	\$47,963
<b>Total Decrease to Expenditures:</b>	<b>(\$28,000)</b>



## **Priorities for Fiscal year 2014-2015**

# Priorities for Fiscal Year 2014 - 2015

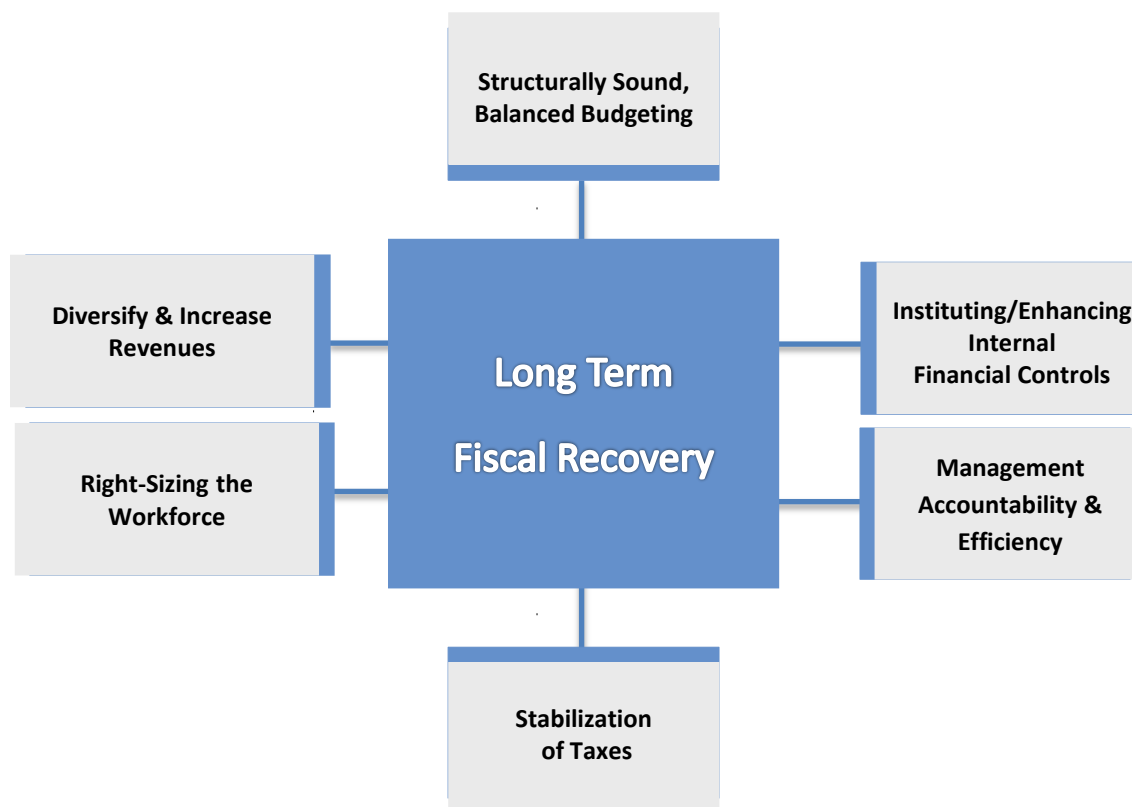




# Long-Term Fiscal Recovery

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The City Council removed the fiscal crisis designation in September 2013, as this administration completed the necessary corrective actions. Core Tenets of the Long-Term Fiscal Recovery Plan are:



# Long-Term Fiscal Recovery Plan

## ✓ Structurally Sound, Balanced Budgeting

- The City's finances are now established on sound, reality based budgets, which provide a realistic budgetary path for coming years.
- In fiscal year 2014-2015 the City will conduct various targeted audits to identify additional cost savings.


## ✓ Diversifies and Increases Revenues

- Grant revenues represent a 175% increase over last year.
- Local Development Corporation formed in March 2013.
- LT Economic Development Projects: Includes \$730,000 raised for marketing initiative and NY Rising commitment of \$25 million for infrastructure improvements.

## ✓ Right-Sizing the Workforce

- Maintained reduction in headcount of 12%, the lowest levels in over a decade.
- Overtime has been reduced from 2011-2012 levels.
- Management employees will continue paying a 10% share of their healthcare premiums.

## ✓ Management Accountability and Efficiency

- Focus on increasing operational efficiency in order to provide the best quality services possible with the resources available.
  - Performance Management.
-  **Second Consolidation Initiative** – Recreation Department and Youth & Family Services Department.

## ✓ Internal Financial Controls

- Monthly detailed departmental budget/variance reports, financial forecasting and trend analysis.
- Identifying and tracking all State and Federal grants.
- Develop and maintain reliable financial and management data.

## ✓ Stabilization of Taxes

- City property taxes will be lower in fiscal year 2014-2015 than in 2013-2014 by approximately 1.2%.
- The deficit surcharge will be retired one year earlier than originally planned.

# **Consolidation Initiative** **Recreation Department and Youth and Family Services**

*Identifying Efficiencies & Reducing Departmental Spending*



## ***Increasing Efficiencies and Productivity***

During fiscal year 2014-2015 Recreation Department and Youth & Family Services Department will commence the process of consolidation.

Consolidating various departments and/or divisions allows entities with like duties to utilize each other's skill set thus expanding the scope of citywide services and projects. Consolidation will provide a more efficient use of skilled workers as well as reducing the need for overtime.

**EFFICIENT USE OF SKILLED WORKERS**

**SHARED FACILITIES & MATERIALS**

**PROGRAM SAVINGS**



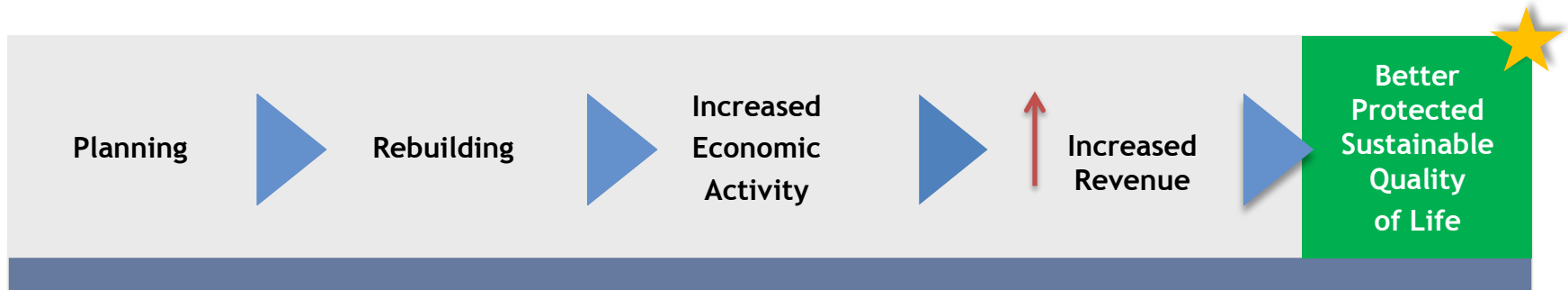
*One Year Anniversary Commemoration*



**Superstorm Sandy - Rebuilding Stronger, Smarter , Safer**



# Superstorm Sandy – Rebuilding Stronger, Smarter, Safer



It is not yet possible to establish the total economic impact of Superstorm Sandy. Estimates of some of the losses to the City are as follows:

- Debris Management and Logistical costs: estimated at \$32 million.
- Infrastructure: Roads, bulkheads, parks, and beach repairs estimated up to \$150 million.

**\*Note:** The City expects that nearly all of the costs will be covered by insurance proceeds, FEMA and State funds. The State's match for storm related expenses ha

This administration has managed storm-related expenses separately from operating, allowing the City to maintain the ability to perform multi-year comparisons of its normal operating revenue and expenses.

***Robust recovery that invests in rebuilding resiliency and smart, sustainable infrastructure.***



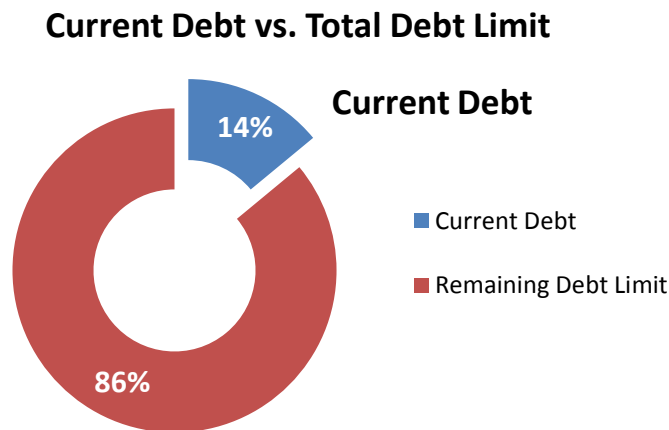
# Restoring Credibility in the Markets



# Restoring Credibility in the Markets

## ***Moody's has changed the City's Outlook to Stable***

*"The stable outlook reflects improved fiscal controls and policies implemented by a new management team beginning January 2012. As a result of these new policies, management has improved budgeting practices which led to the declines in recent years."*

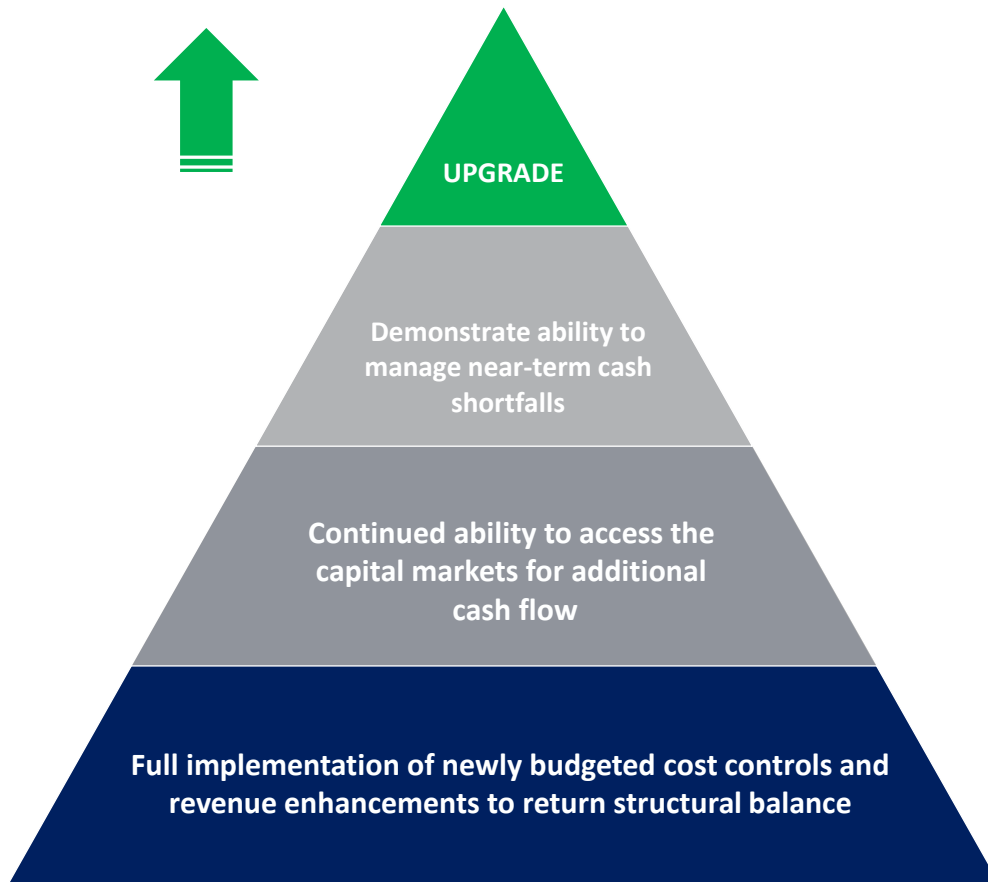


## ***Manageable Debt:***

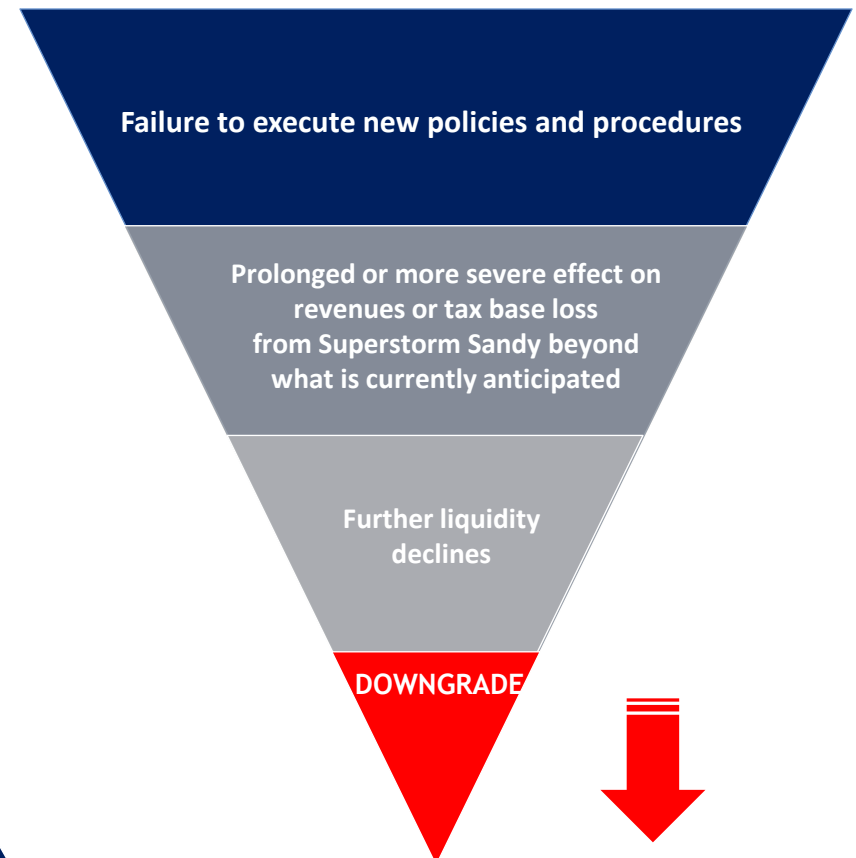
*"The Baa3 rating reflects the city's accumulated deficit fund balance in fiscal year 2012 and a cash position that has significantly declined over the past four years...The rating also factors the city's sizable tax base with above average wealth levels and a **"MANAGEABLE DEBT BURDEN"**."*

# Outlook: What Could Change the Rating

## UPGRADE



## DOWNGRADE



# Highlights from Moody's Commentary

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- “In addition to improved budgetary controls, management has implemented a fiscal recovery plan to complement various policies. The fiscal recovery plan includes ongoing reduction in workforce, diversification of revenue streams, and additional expense cuts, among other initiatives.”
- *“The city council recently approved and codified into the city charter a fund balance policy to maintain a minimum of 5% unassigned.”*
- *“Full implementation and adherence of the policies will be important factors in the credit rating moving forward.”*
- *“Despite the significant impact on revenues and expenditures of the storm, we do not believe it will have a material impact on its overall reserve position.”*



## **NYS Comptroller Budget Review**



# NYS Comptroller Review



*Are the significant revenue and expenditure projections in the City's proposed budget reasonable?*

## NYS Comptrollers' Findings:

1. **Refuse & Garbage Charges** - Likely not be realized without the passage of a resolution authorizing the planned increase.
2. **Overtime Costs** - budgeted below historical levels.
3. **Contingency Appropriations** –Budget includes an appropriation of \$300,000. However, the City's charter does not authorize it.
4. **Water and Sewer Revenues** - Likely not be realized without the passage of a resolution authorizing the planned increase.
5. **Tax Levy Limit** –Budget complies with the tax levy limit.



## Management Response:

1. **Refuse & Garbage Charges** - New rates are scheduled to be passed prior to the start of the new fiscal year.
2. **Overtime Costs** – These cost savings will be realized as the necessary internal controls are in place and operating effectively.
3. **Contingency Appropriations** –Currently exploring amending the charter. This does not affect the budget.
4. **Water and Sewer Revenues** - The proposed new rates are scheduled to be passed prior to the start of the new fiscal year.
5. **Tax Levy Limit** –Stayed within the Governor Cuomo's mandated tax cap for the second year in a row and has successfully reduced reliance on taxes as a percentage of overall revenue.

For More Information or a Copy of the  
Proposed Budget

Visit the City's website  
at

[www.longbeachny.gov](http://www.longbeachny.gov)